



Glacial Lakes Energy, LLC

CREATING ECONOMIC VALUE FROM CORN

NEWSLETTER

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WATERTOWN IS THE “PREMIUM E30 CAPITOL OF NORTH AMERICA”

By Jim Seurer, Chief Executive Officer

It's been almost two years since we set out to prove via the “E30 Challenge” that Premium E30, a higher blend of fuel comprised of 30% ethanol, is compatible with ALL modern vehicle engines. Through aggressive promotion, targeted consumer education, and sound automotive testing, history is being made with each passing day.

The “Challenge” took off quickly and there was no looking back. Sales of Premium E30 at the 8 retail locations within the city of Watertown since May 2016 is now approaching the 2.5 million gallon mark! This is a 500-600% increase over the amount of Premium E30 fuel sold before our Challenge began and the excitement about the premium fuel

continues. Using a conservative 18 mile-per-gallon factor, area auto-owners have safely driven over 45 million miles on Premium E30 since the launch of the Challenge without any issues. Collectively, these folks have shaved hundreds of thousands of dollars off their fuel bills.

Given the typical price advantage of up to a \$0.20 - \$0.30 per gallon savings at the pump on Premium E30, these consumers have enjoyed a total savings of between \$500,000-\$750,000 dollars! Watertown consumers are definitely benefitting by making Premium E30 their fuel of choice.

Most importantly, we have proven that both flex and non-flex fuel vehicles 2001 and newer can adapt to Premium E30 and perform better. Our loyal E30 followers have reported that fuel economy remains mostly unchanged and the higher octane improves engine performance and increases power. Engine dyno-tuning done by a local professional engine shop proves these points. Furthermore, any “check engine light” incidents have been cleared by our expert shop and each one has been related to other engine issues occurring at the time.

All of this has not escaped the purview of our community leaders who actively promote the “shop locally” message and recognize the value of locally made products. The City of Watertown, The Watertown Police Department, the Watertown Transit Authority, and many other area organizations and business owners have converted their vehicle fleets to Premium E30 because of its lower cost, its higher performance, and mostly because the corn used to produce the ethanol is grown right here by area farmers. GLE has a \$750 million direct economic impact on northeast and central South Dakota and these businesses leaders understand that when agriculture does well, they do too.

Recently, our friends in Aberdeen jumped on the Premium E30 bandwagon and why not? The Brown County Commissioners and the Aberdeen Boys & Girls Club recognize the benefits of Premium E30 and, so far, these folks are reporting nearly identical results that our enthusiasts in Watertown have reported. That is... Premium E30 costs less and performs as well, if not better than the conventional E10 fuel. However, the main reason for the Aberdeen support is that Premium E30 promotes more corn demand which is grown and produced right here in South Dakota driving our own local economies.

While all of this will not necessarily increase the demand for ethanol significantly due to the low population of the Watertown and Aberdeen areas comparatively, it is the message across the country that we are sending. We are telling everyone from automakers to the EPA to ethanol industry leaders that it's time to move forward with higher blends. Until then, Watertown is the **“Premium E30 Capital of North America”** ! We can only hope that someone is more successful than we have been and eventually claims that title from us.

E30 Works!



Recently, an individual contacted GLE about her experience with Premium E30. The individual stated she had purchased a GMC Arcadia about a year and a half ago and, after attending GLE's annual meeting, decided to start using Premium E30 in her non flex fuel vehicle. A couple weeks later, her check engine light came on and she became very concerned. She contacted GLE and we jumped into action by having our expert auto technician, Andy Wicks diagnose the root cause. After further inspection, Wicks discovered that there was a vacuum leak between the mass airflow sensor and throttle body caused by a loose hose. This vacuum leak caused the check engine light to trigger, not Premium E30. Wicks fixed the hose and the individual continues to use Premium E30 to this day!

EPA Actions on the RFS Are Destroying Demand for Ethanol and Corn

Recent actions by EPA have effectively reduced the Renewable Fuel Standard (RFS) conventional renewable volume obligation (RVO) for 2016 by more than 1 billion gallons. Further, the Agency appears poised to take similar actions to effectively reduce the 2017 and 2018 conventional RVOs by comparable amounts. While EPA did not attempt to misuse its statutory waiver authority to reduce the RFS requirements in 2017 and 2018, the effect on demand has been the same. Administrative cuts to the RFS have resulted in significantly lower RIN prices, reduced corn and ethanol demand. The cuts also allow highly profitable businesses to avoid legal obligations and windfall profits for certain small oil refiners.

What does this mean for Ethanol and Corn demand? EPA actions led to the reduction of the 2016 RVO by nearly 1.2 billion gallons and the Agency appears poised to lower the 2017 RVO by a similar amount. Thus, nearly 2.4 billion gallons of ethanol demand and 860 million bushels of corn demand have potentially been lost over the past two compliance years due to recent EPA actions. Iowa State University recently estimated that losing 700 million gallons of ethanol demand (250 million bushels of corn) within a crop year could cause corn prices to fall \$0.25/bushel. Based on simple models that predict corn price based on stocks-to-use ratios, losing 1.2 billion gallons of demand (430 million bushels) in the current marketing year could cause current corn prices to fall by as much as \$0.50-0.70/bushel.

Ethanol industry groups recently sent letters to EPA Administrator Scott Pruitt condemning the decision to award a small refinery waiver to one of the largest refiners in the US and demanding a moratorium on waivers being issued by the EPA. The EPA was asked to immediately cease issuing waivers and to pause any waiver applications being considered until the agency conducts a full, transparent public comment process to help assure all stakeholders that the new expansion of small refinery waivers is consistent with the goals of the RFS. Furthermore, Reuters reported that there is a legislative effort, spearheaded by Senator John Cornyn (R-Texas) and Representative John Shimkus (R-Illinois), to expand EPA waivers for small refiners. The Cornyn bill would give blanket exemptions to all oil refiners classified as small.

In light of these new developments, we urge you to contact your elected officials to let them know that the manner in which the EPA is administering the waivers meant for small refiners to large and already successful oil conglomerates is unreasonable, disingenuous, and significantly jeopardizes rural America.

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Sioux Falls, SD 57108
605-334-9596

Senator Mike Rounds
111 W Capitol Avenue, Suite 210
Pierre, SD 57501
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Representative Kristi Noem
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U.S. EPA grants 25 small refineries relief from biofuels law

source *NEW YORK (Reuters)*

Reporting By Jarrett Renshaw; Editing by Chizu Nomiya and Susan Thomas

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The U.S. Environmental Protection Agency granted 25 small oil refineries hardship waivers from the nation's biofuel laws in 2017, according to an agency source, representing an expansion of the waiver program.

The EPA's use of the waivers - meant to help small operations that are struggling to comply with the U.S. Renewable Fuel Standard (RFS) - has long been a source of frustration for the com industry which argues they hurt farmers by undermining demand for ethanol.

"While the applications continue to come in, EPA has granted roughly 25 so far," the EPA source told Reuters, asking not to be named.

The EPA, which refuses to disclose the waiver recipients on confidential business grounds, said nothing had changed under the administration of President Donald Trump.

"The criteria used to grant waivers has not changed since previous administrations," spokesperson Liz Bowman said.

In a typical year, the EPA would receive about 12 to 15 requests for hardship exemptions, which are available to refineries of less than 75,000 barrels per day that can demonstrate financial need, and would grant about half of them, a second source familiar with the program told Reuters.

But refiners, including large ones such as Andeavor, have applied for the waivers in larger numbers after a federal appeals court ruling last year that said the EPA must expand the guidelines for approving them.

Refiners have also been encouraged to apply by the Trump administration's recent efforts to broker a deal between the oil and com industries to reduce the costs of the RFS. Those talks have not yielded a deal.

Under the RFS requirements, adopted a decade ago, refiners must blend increasing volumes of biofuels such as ethanol into the nation's fuel every year, or purchase tradable blending credits from other companies that do such blending.

Refiners granted exemptions win in two ways: They no longer have to blend biofuels or buy credits to comply with the law, and they can sell any credits they had previously purchased to use for compliance.

News that Andeavor had received an exemption, reported by Reuters on Tuesday, drew criticism from biofuel backers, who fear that EPA administrator Scott Pruitt is using the waiver program to gut a program he dislikes.

"Mr. Pruitt is eviscerating a law the president supports - in complete secrecy," Brooke Coleman, head of the Advanced Biofuels Business Council, said.

Trump campaigned on a promise to support the RFS.

U.S. Senator Chuck Grassley, a Republican who represents Iowa - the nation's largest com-growing state, said the expansion of the waiver program raised legal questions.

Giving Andeavor "a free pass when other companies are required to follow the law of the land isn't just unfair, it may be illegal," Grassley told Reuters late Tuesday.

Financial Results for 2nd Quarter are Lower

Financial Report for the Second Quarter
Ended 2/28/18

(dollars in millions)	Q2
Total Assets	\$215.8
Total Liabilities	\$28.5
Net Worth	\$187.3
Current Assets	\$96.7
Current Liabilities	\$21.4
Working Capital	\$75.3
Net Income	\$3.4
YTD Net Income	\$12.7

Unaudited

The consolidated 2nd quarter results for GLCP for fiscal year 2018 resulted in net income of \$3.4 million, down from the \$9.3 million reported in the first quarter. Year to date results total \$12.7 million for the 6 months ended February 28, 2018 which is \$1.1 million lower than the same period last year.

Ethanol crush margins were considerably weaker during the second quarter although some improvement had occurred toward the end of the quarter. DDGS pricing had improved remarkably over the 3-month period with the stronger export demand the leading cause.

Lower production rates at both plants weigh in on the financial results for the quarter. The new crop corn is proving to process less efficiently (yield) than the previous year's crop and there has been higher than unexpected downtime. The fermenter and sieve bottle expansion projects at both sites and the Selective Milling Technology (SMT) in Watertown have been slowed by the adverse late winter weather and corresponding construction delays. We continue a strong focus on improving production rates and yields, and we look to the remaining months to re-coup the lost production.

Filling up with E30

City police, street department saving money with switch to 30% ethanol blend

By Dan Crisler, Watertown Public Opinion Staff Writer



As Glacial Lakes Energy and its partners continue to promote 30 percent ethanol (E30) fuel blends for use in gas vehicles, two City of Watertown departments have jumped on board.

Housing two of the largest vehicle fleets in city government, the Watertown

Police Department and Watertown Street Department have seen very positive results, albeit over two drastically different time frames.

The Watertown Police Department has used Premium E30 exclusively since spring 2016 in its vehicles, including Ford Explorers and Dodge Chargers, following a one-month test with GLE. The street department followed suit last month in its gas-powered vehicles ranging in model years from 1997 to 2009.

Both WPD Capt. Scott McMahon and Street Supt. Rob Beynon said the benefits are such that there are no plans to revert back to the previously used E10 fuel (10 percent ethanol) blend.

Namely, both men reported the mileage loss has been minimal, at least within the city where the departments' vehicles spend nearly all their time.

"I haven't noticed any substantial lost mileage," Beynon said, adding that he uses Premium E30 in his personal vehicles. "We're guesstimating maybe one mile per gallon, but it's not enough to really notice."

McMahon echoed that and added that any mileage loss is more than offset by the drastically lower price, which can be as much as 30 to 40 cents less per gallon. That savings is compounded when considering the department used 26,561 gallons of fuel from January to November 2017.

With an additional six-cent discount from the pump price included

into the contract between the city and its fuel provider, Cenex, McMahon said the department was able to save \$8,232 compared to the E10 blend, as the department spent \$48,873.41, a total well within its original budget.

"It's a savings to the city overall," McMahon said, adding that the savings is likely to be transferred back into the city's general budget.

The Street Department also expects to see a significant savings as the year goes on.

Doing quick math off the top of his head, Beynon estimates that the department will save over \$4,000 by the end of the year compared to what it would have spent on E10.

In addition to the lower costs, McMahon and Beynon report that the use of E30 has caused nary an issue in their vehicles.

"We haven't experienced any performance or mechanical issues as a result of E30," McMahon said.

That supports GLE's contention, with the added benefit that E30 makes for a cleaner environment as it allows car engines to burn fuel more efficiently with its higher octane rating.

According to Beynon, the Premium E30 blend should also have a notable impact in helping vehicles start up on the coldest of days. Some vehicles, particularly older vehicles, may need use of a secondary product containing additional ethanol to thaw the fuel lines.

Premium E30, according to Beynon, already has enough ethanol content to warrant the use of thawing remedies unnecessary.

"With E30, it's natural. You don't need any of that stuff in there. It helps with preventing freeze ups because of water in the gas," Beynon said.

Having experienced the benefits, McMahon believes that Watertown's use of Premium E30 will be the basis of a long-term trend in the Midwest to better utilize its locally grown resources.

"If we can use a product grown in our backyard to support our communities, then it seems like a good idea to purchase those locally made products," he said.



Glacial Lakes Energy, LLC

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For the latest quarterly financial information, please visit our website at:

http://www.glaciallakesenergy.com/invest_financial.htm

Our quarterly financials will be posted to our web page on or about the following dates for 2018:

June 22, 2018 • September 21, 2018 • December 21, 2018



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Please send us your e-mail address to receive regular communications, "Like Us" on Facebook, or "Follow Us" on Twitter.

To be added to our e-mail list, please contact Penni Tuttle, Membership Coordinator at ptuttle@glaciallakesenergy.com or 605-882-8480.

Cautionary Statements Regarding Forward- Looking Statements

This document contains forward-looking statements involving future events, future business and other conditions, our future performance and our expected future operations and actions.

In some cases you can identify forward-looking statements by the use of words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "predict," "hope," "should," "could," "may," "future," "continue," "potential" or the negatives of these terms or other similar expressions. These statements are based on management's beliefs and expectations and on information currently available to management.

Forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties. Important factors that could significantly affect future financial condition and results include, among others, operating margins in the ethanol industry, the rapid pace of expansion in the industry, the cost of corn and the price of ethanol, changes in ethanol supply and demand, changes in current legislation or regulations that affect ethanol supply and demand, disruptions to infrastructure or in the supply of raw materials, the results of our risk management and hedging transactions, and ethanol industry valuations generally.

Our actual results or actions may differ materially from those set forth in the forward-looking statements for many reasons, including events that are beyond our control or assumptions not proving to be accurate or reasonable. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this document. We cannot guarantee our future results, levels of activity, performance or achievements.

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